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TANNER

Accountants & Advisors



Catholic Diocese of Salt Lake City Capital Development Corporation

Financial Statements

As of June 30, 2024 and 2023 and for the Years Then Ended

Together with Independent Auditors' Report

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Independent Auditors' Report

To Most Reverend Oscar A. Solis:

Opinion

We have audited the accompanying financial statements of the Catholic Diocese of Salt Lake City Capital Development Corporation (the Corporation), which comprise the statements of financial position as of June 30, 2024 and 2023, and the related statements of activities and cash flows for the years then ended, and the related notes to financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Catholic Diocese of Salt Lake City Capital Development Corporation as of June 30, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (US GAAP).

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audits of the Financial Statements* section of our report. We are required to be independent of the Corporation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with US GAAP, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audits of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control related matters that we identified during the audits.

Tanner LLC

October 18, 2024

Statements of Financial Position

	As of June 30,	
	2024	2023
Assets		
Cash and cash equivalents	\$ 3,469,421	\$ 2,356,387
Parish and other related Catholic entities notes receivable	4,817,392	4,557,205
Interest receivable	230,485	149,099
Investments	25,810,988	20,340,005
Total assets	<u>\$ 34,328,286</u>	<u>\$ 27,402,696</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ -	\$ 18,555
Parish and other related Catholic entities deposits	33,928,087	27,364,646
Total liabilities	33,928,087	27,383,201
Net assets without donor restrictions	400,199	19,495
Total liabilities and net assets	<u>\$ 34,328,286</u>	<u>\$ 27,402,696</u>

Statements of Activities

	For the Years Ended June 30,	
	2024	2023
Change in net assets:		
Revenue and gains:		
Interest and dividend income on investments	\$ 1,009,674	\$ 777,905
Net realized gains (losses) on investments	56,169	(293,934)
Net unrealized gains on investments	1,213,134	972,440
Interest income on parish and other related Catholic entities notes receivable	388,488	323,175
Total revenue and gains	<u>2,667,465</u>	<u>1,779,586</u>
Expenses and transfers:		
Deposits for parishes and other related Catholic entities:		
Interest expense	1,923,923	1,075,262
Management and general:		
General and administrative	12,838	17,389
Total expenses	<u>1,936,761</u>	<u>1,092,651</u>
Transfers to the Diocesan Pastoral Administration	<u>350,000</u>	<u>350,000</u>
Total expenses and transfers	<u>2,286,761</u>	<u>1,442,651</u>
Increase in net assets	380,704	336,935
Net assets (deficit) at beginning of year	19,495	(317,440)
Net assets at end of year	<u>\$ 400,199</u>	<u>\$ 19,495</u>

Statements of Cash Flows

For the Years Ended June 30,

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities:		
Change in net assets	\$ 380,704	\$ 336,935
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Net realized (gains) losses on investments	(56,169)	293,934
Net unrealized gains on investments	(1,213,134)	(972,440)
Changes in operating assets and liabilities:		
Parish and other related Catholic entities notes receivable	(260,187)	523,023
Interest receivable	(81,386)	(53,751)
Accounts payable	(18,555)	(21,445)
Related Catholic entities accounts payable	-	(6,440)
Parish and related other Catholic entities deposits	6,563,441	(1,594,809)
Net cash provided by (used in) operating activities	<u>5,314,714</u>	<u>(1,494,993)</u>
Cash flows from investing activities:		
Purchases of investments	(17,635,455)	(7,638,235)
Proceeds from sales of investments	13,433,775	6,674,960
Net cash used in investing activities	<u>(4,201,680)</u>	<u>(963,275)</u>
Net increase (decrease) in cash and cash equivalents	1,113,034	(2,458,268)
Cash and cash equivalents at beginning of year	2,356,387	4,814,655
Cash and cash equivalents at end of year	<u>\$ 3,469,421</u>	<u>\$ 2,356,387</u>

Notes to Financial Statements

1. Organization and Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements include all accounts and activities of the Catholic Diocese of Salt Lake City Capital Development Corporation (the Corporation). The Corporation acts as a support organization for the benefit of the Roman Catholic Bishop of Salt Lake City, a Utah Corporation Sole (the Bishop), the Ministries of the Catholic Diocese of Salt Lake City, LLC, a Utah Nonprofit Series Limited Liability Company, including all series established thereunder, and Skaggs Catholic Center, LLC, a Utah Nonprofit Limited Liability Company. The functional and natural classification of expenses of the Corporation have been presented in the statements of activities.

The financial statements of the Corporation have been prepared in accordance with accounting principles generally accepted in the United State of America ("US GAAP"). The Corporation holds excess funds of the Diocese's parishes and institutions and lends to parishes and institutions for projects approved by the Corporation board.

Net Assets

The financial statements report net assets and changes in net assets without donor restrictions, which represent resources which are not subject to donor restrictions and over which the Corporation retains control to use the funds in order to achieve the Corporation's purpose. The Corporation does not have any net assets with donor restrictions.

Cash Equivalents

Cash equivalents consist of investments in money market accounts and any other investments with original maturity dates to the Corporation of three months or less at the date of purchase. Cash equivalents totaled \$2,266,916 and \$1,605,519 as of June 30, 2024 and 2023, respectively.

Parish and Other Related Catholic Entities Notes Receivable

Notes receivable relate to financing arrangements with parishes and other related Catholic entities and are recorded at face value. The Corporation does not require collateral for the notes and has not and does not intend to sell these receivables. The interest rate charged on notes is set by the Corporation at 0.25% above the prime rate (calculated at the beginning of each quarter) and is recognized over the life of the note. Cash payments are made by parishes and other related Catholic entities as excess cash is available. In the event funds are not available from the related entity to repay a note, it is the Corporation's intention to extend the payment terms or defer such payments until funds become available, while interest continues to accrue on the original note amount.

Interest Receivable and Investments

Investments in securities are measured at fair market value in the statements of financial position using quoted market prices or quoted market prices of similar, comparable securities. Unrealized gains and losses on investments are reported in the statements of activities as increases or decreases in net assets. Realized gains and losses are determined on a specific identification basis. Dividend income on securities owned is recorded on the ex-dividend date. Interest income is recognized on the accrual basis and is recorded separately as a receivable when accrued.

Parish and Other Related Catholic Entities Deposits

All parishes and institutions must deposit excess funds with the Corporation. Funds are to be deposited at regular intervals. The interest rate for deposits is calculated at 3.00% below the interest rate used for the parish notes receivable. Deposit withdrawals are submitted to, and approved by, the Office of the Vicar General.

Income Taxes

No provision for income taxes has been provided as the Corporation is exempt from federal income tax under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3), as indicated in a determination letter to the United States Conference of Catholic Bishops from the Internal Revenue Service (IRS) dated November 2, 2023.

US GAAP requires management to evaluate tax positions taken by the Corporation and recognize a tax liability if the Corporation has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. Management has analyzed the tax positions taken by the Corporation and has concluded that as of June 30, 2024, there were no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements.

Concentrations of Credit Risk

The Corporation maintains its cash in bank deposit accounts which, at times, exceed federally insured limits or are otherwise not insured. The Corporation maintains its investment balances with high quality financial institutions. To date, the Corporation has not experienced a loss or lack of access to its cash or its investments; however, no assurance can be provided that access to the Corporation’s uninsured cash or its investments will not be impacted by adverse conditions in the financial markets.

Major borrowing parishes and other related Catholic entities are defined as entities having outstanding note balances with the Corporation which equal or exceed 10% of the Corporation’s total parish and related Catholic entities notes receivable balance. Concentrations of major borrowing parishes and related Catholic entities notes receivable were as follows as of June 30:

	2024	2023
Related Catholic entity A	35%	35%
Related Catholic entity B	24%	25%
Related Catholic entity C	19%	20%
Related Catholic entity D	11%	*

* Borrower did not exceed 10% of the Corporation’s total parish and related Catholic entities notes receivable balance

Major depositing parishes and other related Catholic entities are defined as entities having deposits with the Corporation which equal or exceed 10% of the Corporation’s total parish and related Catholic entities deposits. Concentrations of major depositing parishes and related Catholic entities deposits were as follows as of June 30:

	2024	2023
Related Catholic entity E	13%	*

* Depositor did not exceed 10% of the Corporation’s total parish and related Catholic entities deposits

Substantially all of the Corporation’s support, revenue, and receivables are from related entities and parties. A future reduction of the revenue from these sources, due to market or parish conditions, would have a very significant impact on the Corporation’s operations.

Use of Estimates

The Corporation has made a number of estimates and assumptions relating to the reporting of assets, revenues, and expenses to prepare these financial statements in conformity with US GAAP. Actual results could differ from those estimates.

Subsequent Events

The Corporation has evaluated subsequent events through October 18, 2024 the date the financial statements were available to be issued, and has determined there were no items to disclose.

2. Fair Value Measurements

The methodologies used to determine the fair values of assets and liabilities under the “exit price” notion reflect market participant objectives and are based on the application of the fair value hierarchy that prioritizes observable market inputs over unobservable inputs. The hierarchy is based on the reliability of inputs as follows:

Level 1 - Valuation is based upon quoted prices for identical assets and liabilities in active markets. The Corporation does not adjust the quoted price for Level 1 securities.

Level 2 - Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and independent pricing models or other model-based valuation techniques such as the present value of future cash flows, adjusted for the security’s credit rating, prepayment assumptions, and other factors such as credit loss assumptions for which all significant assumptions are observable in the market.

Level 3 – Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

The following tables summarize the levels within the fair value hierarchy in which the fair value measurements of the Corporation’s investments are classified as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
As of June 30, 2024:			
Domestic corporate bonds (a)	\$ -	\$ 8,926,825	\$ 8,926,825
Government securities (b)	-	4,427,895	4,427,895
Certificates of deposit (c)	-	2,976,703	2,976,703
Common stocks (d)	74,625	-	74,625
Preferred equity securities (e)	544,940	-	544,940
Exchange traded funds (f)	7,851,617	-	7,851,617
Mutual funds (g)	1,008,383	-	1,008,383
	<u>\$ 9,479,565</u>	<u>\$ 16,331,423</u>	<u>\$ 25,810,988</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
As of June 30, 2023:			
Domestic corporate bonds (a)	\$ -	\$ 7,898,318	\$ 7,898,318
Government securities (b)	-	1,539,335	1,539,335
Certificates of deposit (c)	-	2,143,851	2,143,851
Common stocks (d)	240,400	-	240,400
Preferred equity securities (e)	619,838	-	619,838
Exchange traded funds (f)	7,248,989	-	7,248,989
Mutual funds (g)	649,274	-	649,274
	<u>\$ 8,758,501</u>	<u>\$ 11,581,504</u>	<u>\$ 20,340,005</u>

The investment categories above reflect the fair value of the investments. For each of the categories described above, the fair value of the investments has been determined by obtaining either quoted market prices of the security or quoted market prices of similar, comparable securities as follows:

- (a) This category includes investments in corporate bonds obtained on domestic exchanges.
- (b) This category includes investments in government securities.
- (c) This category includes bank deposits (time deposits) that earn a contractual rate of interest over a specified period of time.
- (d) This category includes investments in domestic corporate stock.
- (e) This category includes securities with characteristics of both stocks and bonds and may offer investors higher yields than common stock or corporate bonds.
- (f) This category includes investments which derive their value from a basket of securities, such as stocks, bonds, commodities, or indices and are traded similar to individual stocks on an exchange.
- (g) This category includes a pooled investment vehicle of stocks, bonds, and other securities that is actively managed by a fund manager.

The Corporation's assets are invested in a variety of investments. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility risks. Due to the level or risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the statements of financial position.

3. Liquidity and Availability

The Corporation regularly monitors liquidity required to meet its operating needs, liabilities, and other obligations as they become due. The Corporation is substantially supported by parishes and other related Catholic entities. The financial assets recorded by the Corporation are available to support its operating needs.

In addition to financial assets available to meet general expenditures over the next twelve months, the Corporation anticipates collecting sufficient interest income from investments and notes receivable to cover general expenditures. As part of its liquidity plan, excess cash is invested in money market accounts and short-term investments.

The following assets could readily be made available within one year of the date of the statements of financial position to meet general expenditures:

	<i>As of June 30,</i>	
	<u>2024</u>	<u>2023</u>
Financial assets:		
Cash and cash equivalents	\$ 3,469,421	\$ 2,356,387
Interest receivable	230,485	149,099
Investments	<u>25,810,988</u>	<u>20,340,005</u>
	29,510,894	22,845,491
Less those unavailable for general expenditures within one year	<u>-</u>	<u>-</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 29,510,894</u>	<u>\$ 22,845,491</u>

Although there are no restrictions on access to the financial assets summarized above that would prevent the Corporation from utilizing those amounts for general expenditures, due to the large deposit liability for parishes and other related Catholic entities included on the statements of financial position, the majority of the financial assets in the table above will be retained to ensure sufficient liquidity for any withdrawals requested by the depositors.